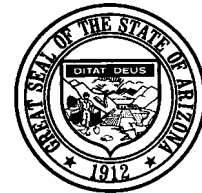


# ARIZONA

## TAXNEWS



Janet Napolitano, Governor

J. Elliott Hibbs, Director

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#### ARIZONA DEPARTMENT OF REVENUE MISSION STATEMENT

The purpose of the Arizona Department of Revenue is to promote voluntary compliance with all tax obligations through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

#### WE'RE ON THE WEB!

The Arizona TaxNews can be viewed on our Internet website:

[www.revenue.state.az.us](http://www.revenue.state.az.us)

## WITHHOLDING TAX NOW ONLINE

The new Withholding returns, A1-QRT are in the mail and you should receive one if you are licensed to withhold Arizona Income Tax. Please look over the pre-printed form carefully and make any needed changes to your Federal Employer Identification Number (EIN) or address information on the return. Indicate corrections in the spaces directly above the printed information. Those who did not receive the new return can obtain one online at: [www.revenue.state.az.us/2004/A1-QRT.pdf](http://www.revenue.state.az.us/2004/A1-QRT.pdf). Instructions for using the new return are also available from this link.

[www.AzTaxes.gov](http://www.AzTaxes.gov) will expand its on-line capabilities by allowing the filing of withholding returns beginning April 26<sup>th</sup>. You will be able to file only for 1<sup>st</sup> quarter 2004 and later periods. As with Transaction Privilege Tax, amended returns will need to be filed on paper and mailed to the Department. Withholding payments continue to be accepted online. While you will be able to file withholding taxes on [AzTaxes.gov](http://AzTaxes.gov) beginning this month, withholding financial data (liabilities) will not be available nor reflected on [AzTaxes.gov](http://AzTaxes.gov) until May 31<sup>st</sup>.

*(Continued on page 3)*

## TAX PREPARER TOOK ADVANTAGE OF WEST AFRICAN REFUGEES

(Phoenix, Ariz. – March 18, 2004) Arizona Department of Revenue Director Elliott Hibbs and Arizona Attorney General Terry Goddard today announced charges filed against Muhammad Hamidullah Shabazz (aka Wilburn Kenny Harris) for preparing fraudulent state income tax returns. Shabazz operated a Phoenix-based tax preparation business known as Muhammad Shabazz Tax Accounting.

The complaint filed in Maricopa Superior Court alleged that Shabazz' took advantage of his clients' lack of knowledge of the U.S. tax laws as many of his clients were refugees from West African countries. The income tax returns prepared by Shabazz generated larger refunds, which substantially increased the "fee" Shabazz charged his clients to prepare their returns.

"It is an outrageous situation when a professional tax preparer uses vulnerable new citizens to this country as unwitting accomplices to line his own pockets," said Hibbs. "The Department of Revenue is stepping up efforts to aggressively pursue preparers of fraudulent business and individual tax returns. The Department of Revenue will be contacting and working with the individuals misled by Mr. Shabazz and assisting them in properly filing their Arizona tax returns."

The complaint charges Shabazz with:

- one count of fraudulent schemes and artifices, a class 2 felony;
- one count of fraudulent schemes and practices, a class 5 felony;
- one count of illegally conducting an enterprise, a class 3 felony; and

*(Continued on page 6)*

### \*\*\***REMINDER**\*\*\*

#### FOR NON-EFT TPT FILERS

**To avoid a delinquency, postmark your April 2004 TPT return no later than May 25, 2004 or deliver to DOR no later than May 27, 2004.**

The Tax Facts—Summary of General Fund Revenues & Individual Income Tax Receipts—are available on the department's website, [www.revenue.state.az.us](http://www.revenue.state.az.us)

### E-Mail Your Questions

If you have a question that you cannot find the answer to, our Technical Assistance personnel may prove useful to you. We will gladly respond to any e-mail technical tax inquiry. All inquiries will be responded to within two working days.

E-mail your question to:

[TaxpayerAssistance@revenue.state.az.us](mailto:TaxpayerAssistance@revenue.state.az.us)

In the interest of maintaining confidentiality, DOR cannot respond to inquiries that include a Social Security number, FEIN, TPT or W/H number, or other specific taxpayer identifiers.

### Department of Revenue Telephone Numbers & Web addresses

#### Individual & Corporate Income Tax

(602) 255-3381

Toll-free

from area codes 520 and 928 (800) 352-4090

#### Transaction Privilege Use, Withholding Tax,

##### Licensing

(602) 255-2060

Toll-free

from area codes 520 and 928 (800) 843-7196

#### Hearing Impaired TDD User

(602) 542-4021

Toll-free

from area codes 520 and 928 (800) 397-0256

**To order forms by phone** (602) 542-4260

**Forms by fax** (602) 542-3756

**Forms and instructions are also available on our website at** [www.revenue.state.az.us](http://www.revenue.state.az.us)

**Businesses can now register, file and pay online at** [www.AzTaxes.gov](http://www.AzTaxes.gov)

## TAX CALENDAR

MAY 2004

Due Date		For Period Ending
17	Income Tax Returns: Form 120: Corporation Form 140: Individual Form 141: Fiduciary Form 165: Partnership	1/31/04
17	Form 120: Corporation with Automatic Extension	7/31/03
17	Form 120S: S Corporation	2/29/04
17	Form 99: Exempt Organization Annual Information Return	
	Form 99T: Exempt Organization	1/31/04
17	Form 120ES: Estimated Tax Payment, Corporation First Installment Second Installment Third Installment Fourth Installment	1/31/05 11/30/04 8/31/04 5/31/04
20	Form TPT-1: Transaction Privilege Tax: April Monthly Filers	4/30/04
20	Bingo: Financial Reports	4/30/04
20	Luxury Tax: Various Forms	4/30/04
25	EFT Form TPT-1 and Payment: Transaction Privilege Tax: April Monthly Filers	4/30/04
31	State Holiday - Memorial Day All State Offices Closed	

### Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The *Arizona TaxNews* is a publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in an alternative format upon request. Subscription information may be obtained from the Publications Unit at 602-716-6797 or toll free from area codes 520 & 928, 1-877-863-0655.

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## **TAX PROFESSIONALS—THANK YOU & LET US KNOW HOW WE ARE DOING!**

With your help, the department has achieved another record breaking year. Electronically filed and barcoded returns increased by 20% compared to last year. Thanks to your help 815,124 returns were efiled and more than 200,000 2D barcoded paper returns were received. In addition, more than 26,000 taxpayers took advantage of the convenience of direct debit to pay their taxes. Thank you again for supporting our alternative methods of filing.

Our annual ERO survey is now available on-line at [revenue.state.az.us](http://revenue.state.az.us) in the Tax Professional category. The survey takes less than 5 minutes to complete so we hope you will tell us how we are doing! Your participation helps to improve our product and services. Click [here](#) to access the survey online or go to [www.revenue.state.az.us/e\\_services/taxpro.htm](http://www.revenue.state.az.us/e_services/taxpro.htm).

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## **CHANGE IN TOWN TAX CODE—TOWN OF CAMP VERDE EFFECTIVE JULY 1, 2004**

**Effective July 1, 2004:** On February 4, 2004 the Mayor and Town Council of the Town of Camp Verde passed ordinance number 2004-A273. Ordinance 2004-A273 increases the Camp Verde Town Privilege Tax on Construction Contracting Section 415, 416 and 417 from **2% to 3%**. The tax on Construction Contracting shall be reported using **CE005**.

The increase imposed by ordinance 2004-A273 shall not apply to construction contracts entered into prior to the effective date of the ordinance. Pre-existing contracts should be reported using **CE008** at a rate of **2%**.

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## **LA PAZ COUNTY HEALTH SERVICES DISTRICT TAX EXPIRATION**

**Effective May 31, 2004:** The La Paz County Health Services District Tax is scheduled to expire on May 31, 2004; therefore, this tax does not apply to transactions completed on or after June 1, 2004. The rate reduction for most business classifications will be 0.112% or .00112. That would be 11.2¢ tax on a \$100 transaction. Exceptions include nonmetal

mining (0.062% or .00062), and hotel/motel (0.11% or .0011). The total combined state and county rate for most transactions after May 31, 2004 will be 6.6%. For more information, check our web site ([www.revenue.state.az.us](http://www.revenue.state.az.us)).

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### ***Withholding Tax Now Online*** *(Continued from page 1)*

After May 31, you will be able to see all Transaction Privilege Tax and Withholding Tax activity at a summary (not transaction by transaction) level.

Many of you have inquired about the ability to file or pay Corporate Income Taxes on-line. Corporate Income Tax online capabilities will be

added in a future release. We will keep you posted on the availability and capabilities supported for this tax type on AzTaxes.gov as the release date nears.

## STIFF COURT PENALTIES FOR FRIVOLOUS APPEALS TO DELAY IRS COLLECTIONS

IR-2004-41, Mar. 29, 2004

WASHINGTON - In the past year, the U.S. Tax Court imposed nearly \$136,000 in penalties on 23 taxpayers for pursuing frivolous cases to delay tax collections.

"The courts are increasingly recognizing the need to impose penalties on taxpayers pursuing frivolous cases," said IRS Commissioner Mark W. Everson.

"During the past year, we saw bigger penalties than we did for the previous two years combined. This is an important tool to help us maintain faith in the tax system. The IRS works diligently to protect taxpayer rights, and it is wrong for some taxpayers to abuse those rights by trying to delay collection for frivolous reasons."

The amount of penalties during the past year surpassed those assessed from 2001 until March 2003, when the Tax Court imposed \$126,000 in penalties on 38 taxpayers. The average penalty increased to \$5,509 during the past year, from an average of \$3,316 in the previous period.

The IRS Restructuring and Reform Act of 1998 set forth various taxpayer rights related to tax liens or levies, including the right to seek judicial review. The IRS usually may not enforce collection while an appeal is pending.

The Tax Court may impose sanctions of up to \$25,000 on those who misuse their right to a court review merely to stall their tax payments. Last May, the court imposed this maximum penalty for the first time, finding in the case of *Aston v. Commissioner* that the taxpayer's groundless argument was primarily for the purpose of delay, wasting the court's time and resources.

Tax professionals who use such arguments for their clients are also subject to penalties. In *Hillen v. Commissioner* [Docket #1441-03L (2004)], the Tax Court imposed a penalty of more than \$14,000 against attorney Paul Chappell after finding his frivolous arguments caused the Court to incur more than 50 hours of unnecessary work. The Court stated that Chappell, who had clerked for the Court and worked at the IRS, "should have known better than to make the arguments that he did."

Appellate Courts affirmed the Tax Court's penalties in seven cases in the last year and began to add their own penalties. The 5th Circuit Court of Appeals imposed an additional sanction of \$4,000 in *Raynor v.*

Commissioner after affirming the Tax Court's decision. Last month, the 1st Circuit imposed a \$2,000 sanction in *Marino v. Brown* (357 F.3d 143) for intentionally challenging a collection action in District Court rather than Tax Court.

The IRS recently updated its Web site document, *The Truth about Frivolous Tax Arguments*, with a section devoted to Collection Due Process cases. It presents 16 frivolous assertions, along with a summary of the law and relevant cases involving these false claims. The Web site is [www.irs.gov](http://www.irs.gov). There are links to the document from "The Newsroom" section's "What's Hot" page, the "Tax Pro News" and the "Topics for Individuals" pages. The direct URL is [www.irs.gov/pub/irs-utl/friv\\_tax.pdf](http://www.irs.gov/pub/irs-utl/friv_tax.pdf).

## ARIZONA TAXNEWS SURVEY

The department surveys its newsletter customers annually to ensure we are meeting your needs as well as offering the opportunity to hear what you would like included in this monthly publication.

Please fax your completed survey by June 30, 2004 to 602-716-7995 or mail to Arizona TaxNews, PO Box 1286, Phoenix AZ 85001-1286. Or you may complete this on our website at

[www.revenue.state.az.us/news\\_survey.htm](http://www.revenue.state.az.us/news_survey.htm)

This survey measures 5 as being very high, 1 being not very high, and 0 as not applicable or no opinion.

1. Please consider all your experiences in the past two years reading the Arizona TaxNews. How would you rate the overall quality ?

5      4      3      2      1      0

2. Please consider all your experiences to date reading the Arizona TaxNews. How satisfied are you with the newsletter?

5      4      3      2      1      0

3. Considering all of your expectations, to what extent has the Arizona TaxNews exceeded your expectations or fallen short of your expectations?

5      4      3      2      1      0

4. If you issued a complaint to the department regarding the Arizona TaxNews, how well do you feel the complaint was handled?

5      4      3      2      1      0

5. Is the newsletter easy to read?

5      4      3      2      1      0

6. Is the information contained in the newsletter understandable?

5      4      3      2      1      0

7. Does the newsletter meet your needs?

5      4      3      2      1      0

8. How would you like to receive the Arizona TaxNews?

- ☐ Hard copy and mailed only  
☐ Electronic copy only  
☐ Both  
☐ Doesn't matter

Comments \_\_\_\_\_

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Please include any additional comments you would like to share about the Arizona TaxNews. Thank you for completing this survey.

Please fax your completed survey to 602-716-7995 or mail to Arizona TaxNews, PO Box 1286, Phoenix AZ 85001-1286.

## RESCISSION OF ARIZONA TRANSACTION PRIVILEGE TAX RULING TPR 94-12

As a result of the court decision in *Arizona Department of Revenue v. Care Computer Systems, Inc.*, 197 Ariz. 414, 4 P.3d 469 (App. 2000), Arizona Transaction Privilege Tax Ruling TPR 94-12 is no longer consistent with current law. Therefore, the department hereby rescinds TPR 94-12.

### TWO RULINGS ISSUED

Two new rulings were recently issued by the department. The rulings can be found on the department's website— [www.revenue.state.az.us](http://www.revenue.state.az.us)

**CTR 02-5** The Arizona Department of Revenue's position with respect to various questions regarding the Enterprise Zone income tax credit.

**PTR 02-1** The Arizona Department of Revenue's position with respect to various questions regarding the Enterprise Zone income tax credit.



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## MAY WORKSHOP SCHEDULE

You may view a complete listing of workshops and register online at [www.revenue.state.az.us](http://www.revenue.state.az.us)

To find out which workshops qualify for CPE or for more information, please call 602-716-7810 or email Community Outreach & Education at [seminars@revenue.state.az.us](mailto:seminars@revenue.state.az.us)

All workshops cost \$15 per person unless otherwise stated.

### Retail Workshops

This workshop is designed to help you understand the Retail Classification under the Transaction Privilege Tax that is imposed in our state.

**Casa Grande—May 18**, 1:30—5 pm,  
Holiday Inn, 777 N Pinal Ave

**Chandler—May 26**, 8:30 am—noon,  
Department of Revenue, 3191 N Washington

**Peoria—May 12**, 8:30 am—noon,  
Hampton Inn, 8408 W Paradise Ln.

**Phoenix—May 17**, 8:30 am—noon,  
Industrial Commission, 800 W Washington

**Phoenix—May 27**, 8:30 am—noon,  
Windsor Palms, 2990 W Thunderbird

**Prescott—May 18**, 1—4:30 pm,  
SpringHill Suites, 200 E Sheldon

**Scottsdale—May 18**, 8:30 am—noon,  
Comfort Inn, 7350 E Gold Dust

**Sedona—May 25**, 1—4:30 pm,  
Hampton Inn, 1800 W Hwy 89A

**Tempe—May 4**, 8:30 am—noon,  
Twin Palms, 225 E Apache

**Tucson—May 11**, 8:30 am—noon,  
Embassy Suites, 5335 E Broadway

**Tucson—May 26**, 8:30 am—noon,  
AZ Gov't Complex, 400 W Congress, Rm. 5

**Wickenburg—May 11**, 1—4:30 pm,  
Super 8 Motel, 975 N Tegner

### Construction Industry Workshops

This workshop is designed to assist those in the construction industry understand the transaction privilege tax requirements.

**Casa Grande—May 19**, 8:30 am—noon,  
Holiday Inn, 777 N Pinal Ave

**Chandler—May 27**, 8:30 am—noon,  
Department of Revenue, 3191 N Washington

**Peoria—May 11**, 8:30 am—noon,  
Hampton Inn, 8408 W Paradise Ln.

**Peoria—May 25**, 6—9 pm,  
Peoria Library, 8401 W Monroe

**Phoenix—May 4**, 8:30 am—noon, Arizona Small  
Business Association, 4130 E Van Buren, Ste. 150

**Phoenix—May 17**, 1:30—5 pm,  
Industrial Commission, 800 W Washington

**Phoenix—May 26**, 8:30 am—noon,  
Windsor Palms, 2990 W Thunderbird

**Prescott—May 17**, 1—4:30 pm,  
SpringHill Suites, 200 E Sheldon

**Scottsdale—May 19**, 8:30 am—noon,  
Comfort Inn, 7350 E Gold Dust

**Sedona—May 26**, 1—4:30 pm,  
Hampton Inn, 1800 W Hwy 89A

**Tempe—May 5**, 8:30 am—noon,  
Twin Palms, 225 E Apache

**Tucson—May 12**, 8:30 am—noon,  
Embassy Suites, 5335 E Broadway

**Tucson—May 27**, 8:30 am—noon,  
AZ Gov't Complex, 400 W Congress, Rm. 5

**Wickenburg—May 12**, 1—4:30 pm,  
Super 8 Motel, 975 N Tegner

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### *Tax Preparer Took Advantage of West African Refugees* (Continued from page 1)

- four counts of fraudulently preparing tax returns, class 5 felonies.

“This action demonstrates the commitment of the Department of Revenue and the Attorney General’s Office to protect Arizona consumers against predatory tax preparers taking advantage of vulnerable communities,” said Goddard.

If convicted, Shabazz could face imprisonment of four to 10 years for each class 2 felony, two and one-half to seven years for each class 3 felony, and 9 months to two years for each class 5 felony.

# STATE OF ARIZONA—UNCLAIMED PROPERTY AVOID PENALTIES & 18% INTEREST PER YEAR CONTACT HOLDER COMPLIANCE UNIT

## WHO HAS TO REPORT UNCLAIMED PROPERTY?

All businesses and government entities are required to report unclaimed money owed to others.

### Arizona Department of Revenue

Unclaimed Property Unit

PO Box 29026

Phoenix AZ 85038-9026

**Website:** [www.revenue.state.az.us](http://www.revenue.state.az.us)

### Email:

[Unclaimed.Property@revenue.state.az.us](mailto:Unclaimed.Property@revenue.state.az.us)

## WHY DO COMPANIES HAVE TO REPORT UNCLAIMED PROPERTY?

IT'S THE LAW!

A.R.S. TITLE 44, CHAPTER 3

And...It's the right thing to do!

### HOW DO I FILE?

Electronic filing is mandatory if reporting more than 25 properties. Please use the free reporting software available from wagers.net at [www.wagers.net/hrs/downloads.htm](http://www.wagers.net/hrs/downloads.htm)

## WHAT DO I REPORT?

Generally, property is reportable to Arizona if any of the following apply:

1. The last known address of the owner is in Arizona.
2. The owner's name or address is unknown but the holder is domiciled in Arizona.
3. The property is a traveler's check or money order and was (a) purchased in Arizona or (b) the records do not show the state in which the instrument was purchased and the issuer has its principal place of business in Arizona.

## ARE YOU IN COMPLIANCE?

Some typical unclaimed property types are general uncashed checks, uncashed payroll checks, customer overpayments, and unidentified remittances.

Contact the Holder Compliance Unit **TODAY** for information on how to avoid penalties and interest.

### Holder Compliance Unit:

602-716-6501, 602-716-6029,  
602-716-6042, 602-716-6043.

## TIPS TO HELP YOU FILE YOUR TPT-1

We would like to help you correctly complete the new TPT-1s to minimize errors that may lead to unnecessary billings. We have seen a repeated error on Line 3 that you can prevent or correct as follows.

Many filers are putting the amount of tax due on Part III, line 2 **and** line 3. Line 2 is the total tax due as calculated in column H from all of the pages of the return. Line 3 is the amount of **Excess Tax** and is added to line 2 to begin the calculation of the amount of tax to remit. Excess tax is tax that is collected that exceeds that amount calculated as due. This excess amount must be reported and remitted with your return. Many are putting the amount of tax from column H on both lines 2 and 3. This is causing the amount of tax due to double because line 2 and 3

are added together as part of the math check during processing. **Use line 3 for Excess Tax only.**

The other error is that taxpayers are putting nothing on Line 2 and putting the calculated tax on Line 3. Because the information contained in Part II, transaction detail, is keyed as part of the processing of the return, the processing system is filling in line 2 with the tax calculated from the keyed transaction details. This creates the same result as the paragraph above: double reporting of the tax due.

Please be careful completing the return and use the lines on the return as noted above. This will insure that your return is processed properly and unnecessary billings are avoided.



## **MARK YOUR CALENDAR...**

### **2004 ARIZONA TAX CONFERENCE**

- ★ **Sedona—Sept. 8-10** Hilton Sedona, 90 Ridge Trail Dr, Sedona AZ

Co-sponsored by the Arizona Association of Assessing Officers & the Arizona Department of Revenue. Call 1-877-273-3762 for early room reservations. Conference room rate is \$109 (plus tax) for single/double. More information on this conference will be included in future issues.

### **EMPLOYER POTPOURRI**

The Community OutReach and Education (CORE) section of the Arizona Department of Revenue invites employers and tax professionals to attend this seminar. This is a rare opportunity to get comprehensive information from representatives of several federal and state agencies. Agencies scheduled to present include IRS; US Dept. of Labor, Wage & Hour Division; DES, Child Support Enforcement, & Unemployment Insurance; Social Security Administration; & DOR, Unclaimed Property. You may also be eligible for Continuing Professional Education Credit (CPE). Cost of the program is \$75 per person. Dates & locations are:

- ★ **Tucson—June 7** Radisson Suites, 6555 E Speedway  
★ **Mesa—June 9** Mesa Conference Center, 263 N Center  
★ **Phoenix—June 11** Ramada Hotel, 12027 N 28 Dr.

For more information on the Employer Potpourri, check CORE's website at [www.revenue.state.az.us/seminar.htm](http://www.revenue.state.az.us/seminar.htm) or call 602-716-7810 or toll free from area codes 520 & 928, 1-877-863-0655.